

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 11, 2021

Barry Apartments, located at 2444 Barry Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,646,182 in annual federal tax credits and \$9,497,200 in total state tax credits to finance the new construction of 60 units of housing serving tenants and special needs tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 30 and Assembly District 54.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-21-542

Project Name Barry Apartments
 Site Address: 2444 Barry Avenue
 Los Angeles, CA 90064 County: Los Angeles
 Census Tract: 2712.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,646,182	\$9,497,200
Recommended:	\$1,646,182	\$9,497,200

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Compass for Affordable Housing
 Contact: Katelyn Silverwood
 Address: PO Box 502977
 San Diego, CA 92150
 Phone: (858) 679-2463
 Email: katelyn@compassfah.org

General Partner(s) or Principal Owner(s): Compass for Affordable Housing
 AHG Barry, LLC

General Partner Type: Joint Venture

Parent Company(ies): Compass for Affordable Housing
 Affirmed Housing Group, Inc.

Developer: Affirmed Housing Group, Inc.

Bond Issuer: City of Los Angeles

Investor/Consultant: WNC Inc.

Management Agent: Solari Enterprises

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 61
 No. / % of Low Income Units: 60 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt/ HUD Section 8 Project-based Vouchers (34 units-56%)

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 34	57%
60% AMI: 14	23%
80% AMI: 12	20%

Unit Mix

34 SRO/Studio Units
 15 1-Bedroom Units
 9 2-Bedroom Units
3 3-Bedroom Units
 61 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
32 SRO/Studio	30%	\$621
2 SRO/Studio	60%	\$1,238
2 1 Bedroom	30%	\$664
7 1 Bedroom	60%	\$1,326
6 1 Bedroom	80%	\$1,326
4 2 Bedrooms	60%	\$1,592
5 2 Bedrooms	80%	\$1,592
1 3 Bedrooms	60%	\$1,840
1 3 Bedrooms	80%	\$1,840
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,307,064
Construction Costs	\$22,320,190
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,558,955
Soft Cost Contingency	\$273,580
Relocation	\$112,400
Architectural/Engineering	\$1,285,000
Const. Interest, Perm. Financing	\$2,652,262
Legal Fees	\$250,000
Reserves	\$215,000
Other Costs	\$1,104,354
Developer Fee	\$3,200,000
Commercial Costs	\$0
Total	\$38,278,805

Residential

Construction Cost Per Square Foot:	\$590
Per Unit Cost:	\$627,521
True Cash Per Unit Cost*:	\$611,839

Construction Financing

Source	Amount
Banner Bank - Tax Exempt	\$20,148,091
Banner Bank - Taxable	\$5,043,818
HCIDLA HHH	\$6,226,560
Tax Credit Equity	\$6,860,336

Permanent Financing

Source	Amount
Banner Bank - Tranche B	\$6,530,436
HCIDLA HHH	\$6,918,400
General Partner Equity	\$700,000
Deferred Developer Fee	\$956,605
Tax Credit Equity	\$23,173,364
TOTAL	\$38,278,805

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,657,341
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$41,154,543
Applicable Rate:	4.00%
Maximum Annual Federal Credit:	\$1,646,182
Total Maximum Annual Federal Credit:	\$1,646,182
Total State Credit:	\$9,497,200
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,200,000
Investor/Consultant:	WNC Inc.
Federal Tax Credit Factor:	\$0.91080
State Tax Credit Factor:	\$0.86130

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Significant Information / Additional Conditions

This project's cost per unit is currently estimated at \$611,839. The applicant noted the cost per unit is attributed to the site being located in a high resource area resulting in high land costs. In addition, the project will require a concrete podium to support the 5 story structure, which increases the cost. Lastly, the project will include prevailing wages, which also attributes to the per unit cost.

In the Utility Allowance the applicant included \$4 for Code Enforcement, under Section 42 of the Internal Revenue Service (§ 1.42-10) Code Enforcement fees are not considered a utility allowance. The owner is responsible for paying the lump-sum fees (billed yearly), and may not charge the tenants for reimbursement. Since the applicant inadvertently included these fees, staff removed them from the Utility Fee Schedule.

The proposed rents do not include any utility allowance for the 34 Special Needs units. The owner will pay the utilities for those 34 units.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.